

Excerpts from Governor Haley Barbour's energy policy speech  
at the U.S. Air Force Energy Forum  
March 3, 2008, Washington, D.C.

Mississippi's energy policy is "more energy," because we come from a school that says if you want the price of something to go down, the best thing to do is get the supply to go up. That's just a plain fact of the matter, but we also know it's hard today to increase supply as fast as demand is increasing.

... certainly conservation has a role, but, by and large, increasing production and finding more efficient, cleaner-burning sources of energy are our future challenges ...

We think this way in my state: Today we are very concerned about the price of energy and the harm it does to our families and to our economy, but we also think ten or fifteen years from now, industry, as they decide where to site new facilities, will not ask about energy, "How much does it cost?" They'll ask, "Can we get it?"

America historically has been a country with abundant and cheap energy ... we've had a cheap energy, abundant energy economy for the four hundred years since the Jamestown settlement was established.

Now, whether it was wood, and then coal, oil, and gas, nuclear, whatever, in prior history, one of our comparative advantages has been a plentiful supply of cheap energy. The automobile, suburban life, and cheap gas all go hand in hand and they all work big elements of why post-war America is what it is, what it became.

We in the Deep South have been very glad to allow drilling in the Gulf, shallow and deep; Texas, Louisiana, Mississippi and Alabama. In fact today, the Gulf of Mexico produces twenty-five percent of America's oil and gas while other coastal areas have made themselves off-limits to drilling even though the prospects are at least as good there as they are ... in the South.

... the percentage of oil imports is more than 60 percent, and oil reserves today are mostly owned by governments. I can remember in the not so distant past people complaining about the big oil companies manipulating prices for crude oil, when the fact of the matter today is that the vast majority of the reserves in the world, are owned by the governments, not by Exxon Mobil, Chevron.

Clean energy was the subject at a recent meeting of the National Governors Conference ... One of the interesting things was there was a real consensus among all the speakers that all sources of energy have to be in the American energy mix for the next generation. That includes nuclear, and of course it should, because it's the source of energy that produces no greenhouse gas emissions. But the environmentalists in many places have fought nuclear power.

... In my own state we've had a nuclear power plant at Grand Gulf in the southwestern part of the state since the 80s. The Entergy Corporation that owns the plant wants to build a new plant and have already their early site permit. The local governments — Claiborne County and town of Port Gibson — have petitioned the state, asking that the new nuclear power plant be there, rather than “not in my backyard”. Their attitude: “yes in my backyard” because we understand the benefits of having a nuclear power plant, because we've had one the last 20-something years. Still there's a lot of opposition to nuclear.

The other thing I thought was very important, and consistent with what we're talking about today, is that even the very greenest of the speakers said that coal has to be part of America's energy mix in the years to come. Our enormous reserves — we're the Saudi Arabia of coal — the issue is we have to learn to burn coal cleaner.

We need to be building new coal-fired power plants in America today. Coal produces about 50 percent of our electricity today, and nuclear about 20 percent.

Rentech is a company that is building a \$3.5 billion coal-to-liquids plant in Natchez, Miss. ... the goal is to produce motor fuels from coal. It's not like that's radical. The Germans did it in World War II; the South Africans have been doing it for many years. But the goal here is to not only do it, but do it in a way that it burns clean. It's a very powerful and important initiative for the Air Force and for the military. ... It's only one of several energy projects we have in Mississippi.

In Pascagoula, Miss., down on our Gulf Coast, construction has just begun on a \$1 billion liquefied natural gas terminal. It's interesting to me how many states don't want to have LNG terminals on land. You may or may not know it, but there's an LNG terminal that's existed for decades in downtown Boston, Mass. We're very proud to have this terminal coming online.

... Chevron is in the midst of a \$500 million capital expenditure that will increase their output of reformulated gasoline by 10 percent, using the same amount of crude oil coming in ... so with the same crude, 10 percent more gasoline. They have already announced that they soon will expand the facility in Pascagoula to 330,000 barrels of oil a day, to 550,000 barrels of oil today. It's interesting to watch as we have dealt with this, how the majors are willing to expand refineries but are unwilling to build new refineries, generally because the fear of regulatory risks. As a state that's tried to go out and attract new refineries from all the majors, we find that to be the case in every case, that they are willing to expand where they are, but are afraid to build new refineries.

The federal government or plans to build a \$4 billion Strategic Petroleum Reserve facility in Richton, Miss., to store petroleum for emergency situations ...

I mentioned that Entergy has already received its early site permit for a second nuclear power plant at Grand Gulf in Southwest Mississippi. Mississippi Power Company, owned by Southern Company in Atlanta, has announced a \$1.8 billion clean

coal power plant in Kemper County, northwest of Meridian. They'll generate coal from lignite. Lignite is a low-ranked, light colored coal, that back when I was growing up everybody thought if you had lignite on your property, it was a nuisance. But some smart guys out in Colorado figured out it'd burn clean, and today we generate electricity for TVA with lignite, and now we're going to go the next step to gasify that lignite and then burn that synthetic gasoline.

Ergon, which is a small refinery in our state, is building an ethanol plant in Vicksburg, Miss., on the river. We have a biodiesel plant that is in operation in Greenville, further up the river. We have seven pipeline projects that are going up in my state, about \$2.1 billion capital expenditure. Generally to move natural gas, west to east, out of Oklahoma, Texas, Louisiana, closer to the eastern markets. And finally we've got about \$3.75 billion of projects to store gas in salt domes; it's an interesting thing.

.... The Rentech project is helped tremendously, and the power generation plant for Southern Company is also helped by a company called Denbury Resources in Dallas. They've built about \$200 million in pipelines in Mississippi for their business. Their business is, interestingly enough, in Jackson, Miss. sits on top of an ancient volcano, and one of the by-products of that is there is an enormous pocket of CO<sub>2</sub>. Denbury Resources mines and extracts the CO<sub>2</sub>, pumps it in pipelines to three different large old oil fields, and pumps the CO<sub>2</sub> into the ground for very advanced tertiary recovery of oil in these old oil fields.

Mississippi last year had more oil production than the year before, and we'll have more oil production this year than last year ...

If you can capture the CO<sub>2</sub> from Rentech or the clean coal power plant, and then put it in the ground to produce oil, that is about as win-win situation as you can get. All of which is to remind us that clean energy can be a fabulous industry. America has the chance to lead the technologies and Mississippi is playing a significant role. We need to continue the public-private partnerships that allow these kinds of technologies to become commonplace and ultimately indispensable in our country's economy and our effort to become as close as we can to self-sufficient in terms of energy.